



3 May 2023

Dear Commissioners,

RE: Productivity Commission Inquiry into Philanthropy

The St Vincent de Paul Society National Council (the Society) welcomes the opportunity to provide general commentary to this inquiry.

The Society comprises over 45,000 members and volunteers and 6,000 staff and has provided everyday assistance to those in need in Australia since 1881. Currently, this includes over \$50 million in emergency relief distributed each year to help people cover food, transport, accommodation, medical, educational and utility costs.

The Society is also a significant provider of affordable housing options and receives state and territory government funding to deliver a range of social support services.

Getting the balance right

We support proposals by the Australian Government to encourage philanthropy. However, there are many levers operating in the not-for-profit sector and getting the balance right is critical. A change in one area has a knock-on effect in others.

For instance, the Discussion Paper notes that those who earn more money generally donate more and they do so for several reasons. However, we consider that the significance of tax deductibility should not be minimised.

We are also mindful of other factors that come into play, such as the state of the economy. During the current cost of living crisis, demand for our services continues to increase while people's capacity to donate is stretched, regardless of the current concessions in play.

Philanthropy should not replace Australian Government funding

We do not believe that philanthropy should be treated as an opportunity to 'replace' Government funding, particularly with respect to the delivery of social services.

The Discussion Paper notes the difference in revenue sources by size of organisation. The Society's revenue sources align with the larger organisations and include government funding (around 40 per cent), goods and services (around 30 per cent), donations and bequests (around 15 per cent), and other revenue (up to around 15 per cent).

The Society is fortunate in that, as a large organisation with a long history and presence in Australia, we benefit from economies of scale and have the capacity to raise revenue through our Shop Network and various fund-raising campaigns. However, like most charities, the extent to which we can contribute to our community is influenced not only by the generosity of Australians, but also by the policy, funding and economic contexts in which we operate. The 'replacement' of Government funding with philanthropic opportunities would significantly affect our capacity to maintain the assistance and range of services we currently provide.

The Society is also concerned about the viability of smaller organisations. A good mix of not-for-profit organisations is essential in terms of providing options to communities and consumers and responding to their needs. Further, sector-wide changes in funding opportunities or related taxation regimes are likely to have a disproportionate impact on smaller organisations, who have less capacity to absorb them.

Level playing field – or is it?

The Discussion Paper notes the tax concessions available to not-for-profits which help to lower their costs including Fringe Benefit Tax, payroll, motor vehicle registration etc. It notes that these enable not-for-profits to better compete with other organisations that cannot access them, but questions whether they create an unfair advantage.

The Society considers these concessions as necessary to level what is an uneven playing field. We rely on these concessions to attract and retain staff, especially when competing against organisations who can offer more lucrative packages. Importantly, we also rely on these concessions to reduce our administrative overheads, thereby enabling maximum funds to be redirected to serving our community.

People who work in the charitable or not-for-profit sector do so for many reasons, but it is not easy going.

ACOSS' April 2023 report, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), found that 47 per cent of leaders said staff turnover is too high and only nine per cent agreed that government funding covers the full cost of service delivery. Demand for community services has soared, and 68 per cent of leaders have reported being under pressure due to understaffing. Only half of respondents said they receive decent pay and only one third expect to have enough superannuation when they retire.

For all the above reasons, we caution against any significant changes or watering down of DGR and tax concessions or of relying on philanthropic sources to replace Government funding.

Benefits of tax concessions must be considered

Clear policy goals are required to assess the effectiveness of the DGR framework and any changes to it must be assessed and evaluated within this context. The focus on the costs to Government in terms of foregone revenue through DGR tax concessions, without acknowledging any of the benefits, is misguided. Further, the business sector also receives various tax concessions.

Governments and communities benefit from services delivered by charities and not-for-profit organisations, which are often delivered at a lower cost than equivalent government services and provide spill-over benefits. Charities such as ours operate at the heart of our communities: building connections, nurturing spiritual and cultural expression, and giving voice to the marginalised. A well-funded and effective charitable and not-for-profit sector supports civic engagement, social cohesion and community connectedness. Further, it gives agency to the range of viewpoints necessary to democratic accountability and the development of inclusive public policy.

Any review of the DGR framework must factor in the benefits – social, cultural, economic and environmental – of the advocacy and services provided by charities and not-for-profit organisations to the community and Government.

Existing reporting and accountability frameworks should be better utilised

The Society supports the basic governance principles of transparency and accountability. However, we also believe that simplicity over complexity should be prioritised, with the aim being to keep administrative overheads to a minimum.

Red tape reduction should be the driver, consistent with the ACNC's 'report once, use often' reporting framework. This approach could be improved by increasing the capacity and funding of the ACNC, along with better use of existing processes, such as the Charity Passport.

For instance, the Society must meet ACNC reporting requirements and all other requirements if in receipt of Commonwealth and/or State and Territory Government funding. The Society provides emergency relief data through the Department of Social Services' Data Exchange. While some state and territory governments are also using this system for their programs, others have different reporting requirements and systems, adding to our administrative overheads. A unified approach to the reporting of social services and financial assistance, across governments, would save resources and support data comparability.

The Society already produces audited financial statements, annual reports, e-newsletters and regular publications at the national and state and territory levels. The purpose of these resources, which are available on our website, is to keep our members, volunteers, donors and the general public informed of our activities.

Resources should be made available to conduct evaluations

Commissioning evaluations is a costly business. However, the Society has commissioned evaluations when in receipt of government funding and when government has authorised this expenditure (see: ANU Centre for Social Research & Methods [Evaluation of the Drought Community Support Initiative](#).) The reality is that without additional resourcing to support evaluations, and with many other competing priorities and compliance requirements, it is difficult to prioritise this work.

We caution against imposing additional reporting requirements without assessing the nature and extent of compliance reporting that is already in place for many charities.

We support Government commitment to the conduct of evaluations, either directly through approval of funding budgets, or through the provision of resources to support such work.

Strategies to improve the status of giving – community education

The Society is heavily involved in assisting communities when natural disasters strike. We prepared two submissions to the parliamentary inquiry into the 2019-20 bushfires and one to the Royal Commission. At around the same time, the ACNC conducted a review and found that public concerns (about donations) were based on a misunderstanding of charity operations. Some of this misunderstanding was shared by our Commonwealth and state politicians. It would also be helpful if our politicians understood the operating environment charities face when responding to national natural disasters which require long-term commitment of resources at the local community level, well after the disaster.

In the Society's submission to The Treasury on '[Developing a Transparency Code](#)', we made a number of recommendations to address this issue. We consider a Commonwealth-funded community awareness campaign is needed to improve the public's understanding of registered charities, particularly the standards and compliance requirements which must be met, along with other relevant codes or memberships. Additional public information could also be provided through an improved Charity Passport.

Finally, the aim of tax settings should be to support charities and the not-for-profit sector to fulfil, in diverse ways, their goals for public or community benefit. Any effective reform process must be grounded in the right premise and should proceed from a clear understanding of the value of charities and the not-for-profit sector, the goal of associated tax concessions, and the purpose of further regulating the sector.

Thank you for the opportunity to provide this submission. Please do not hesitate to contact me if you require further information.

Yours sincerely

Mr Toby oConnor
Chief Executive Officer